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On 3rd March Nihon Keizai Shinbun (Japan Economin Newspaper, a high-quality paper) reported as its top news of the evening edition that Indonesia had asked for yen loans to cover the whole estimated shortage of the fiscal 1988 budget. The shortage is estimated to be about Rp. 1.2 trillion. Yen Loans used to be used for development projects in line with the principle of aid of the Japanese government that it is given to efforts of self-reliance. Indonesia did not present any such project item for the coming fiscal year (beginning on 1 April in Japan as well as in Indonesia). Instead it requested that the whole aid allocated for Indonesia be turned into financial assistance. Financial assistance in such big amount is contradictory with the Japan's official stand on aid. The article is translated into English below this (see the other side).

Indonesia's foreign debt problem is really serious. Its budget for fiscal 1988/89 is Rp. 28.9 trillion, and the foreign debt component of routine expenditures is the largest component and will reach Rp. 10.6 trillion, up 56.5% from present levels. This means 36.6% of the budget wil be used to repay foreign debts. But Suharto said, "We ought to repay these foreign debts not only because it involves the nation's reputation, but also because we are able to do it." (Jawa Pos/Televisi RI/Kompas, Jan. 6, Indonesia News Service 68)

It seems that Indonesia has become Asia's largest debtor. (Far Eastern Economic Review Jan. 21, 1988) Finance Minister Radius Prawiro said that government loans outstanding as of September 1987 were $ 35.2 billion (about Rp. 584 trillion) and that of this total 32% originated from Japan, 16% the World Bank, 7% the U.S., 6% West-Germany, 4% France, 3% the Netherlands, and 3% the Asian Development Bank. (Suara Pembaruan/Kompas,Jan. 29, Indonesia News Service 75)

Some have given warnings regarding this high debt service-ratio. Dutch Deputy Prime Minister Dr. R.W. de Korte, asked by reporters in Jakarta what IGGI donors would do if Indonesia requested a postponement in debt repayments, said that it was important for Indonesia to remain aware of its financial obligations. A request for postponement of repayments would cause the world no longer to have confidence in Indonesia. (Jawa Pos/Kompas, Jan. 15, Indonesia News Service 71)

American Assistant Secretary of State for East Asian and Pacific Affairs Gaston Sigur said that Indonesia's debt payments were indeed quite heavy. Nonetheless, obligations had to be fulfilled. the U.S. believed that Indonesia had the capability of meeting its obligations. "We regard any steps to re-schedule debt as unrealistic. This has no bearing at all on Indonesia-U.S. relations." (Jawa Pos/Suara Pembaruan, Jan. 22, Indonesian News Service 73) Meantime Far Eastern Economic Review reported calls for the government to reschedule the debt had mounted as the figures grew more alarming. (Jan. 21, 1988)

Managing Director of IMF Michel Camdesus warned that debt re-scheduling does not offer debtor nations a "free-lunch" or "miracle medicine." As with any medicine there are negative side effects. This could lead to "long-term problems of tightened credit and constricted capital outlays." (Suara Pembaruan/UP, Jan. 26, Indonesia News Service 74)